



Saskatchewan Opportunities Corporation

2005 Second Quarter Report

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MANAGEMENT DISCUSSION AND ANALYSIS

For six months ended June 30, 2005

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results of Saskatchewan Opportunities Corporation (SOCO). It should be read in conjunction with the SOCO unaudited interim financial statements and supporting notes for the six months ended June 30, 2005.

The MD&A contains forward-looking statements based on SOCO's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results could differ materially from those anticipated.

Profile

SOCO is a wholly owned subsidiary of Crown Investment Corporation of Saskatchewan (CIC). SOCO's mission, as directed by CIC, is to support the growth of the Saskatchewan technology sector through the development and operation of research parks. To this end, SOCO develops and manages three properties within Saskatchewan. These include Innovation Place in Saskatoon, the Regina Research Park in Regina, and the Saskatchewan Forest Centre Building in Prince Albert. SOCO also operates the Innovation Place Bio Processing Centre. The Bio Processing Centre is a pilot scale facility which provides extraction services to companies selling plant based ingredients to the nutraceutical, cosmetic, functional food and bio-industrial industries.

SOCO manages the planning, design and construction of its properties. Typically SOCO develops new buildings in response to qualified market demand for space.

SOCO leases space to tenants usually for terms of three to five years. Lease rates are dictated by several factors including SOCO's target Net Effective Rent and the general structure of market rents. SOCO works with tenants to develop space to the tenant's specific needs.

The common thread among the tenants of all three facilities is that they are involved, in some way, in technology research and development or they serve companies that are involved in research. In 2004, SOCO's tenants and clients were jointly responsible for \$500 million in direct economic activity within Saskatchewan.

SOCO's Vision is "Saskatchewan's research parks will be the best in the world."



Financial and Operating Highlights

Revenues

(\$000s)	2005	2004	Change	%
Six Months Ended June 30	\$10,893	\$12,206	(\$1,313)	(10.7%)

The majority of revenues (83%) come from rents paid by tenants. Other sources of revenue for SOCO include the Bio Processing Centre (12%) and management and maintenance operations (5%).

The main reason for lower Revenues in 2005 compared to 2004 relates to an Operating Contribution of \$1,803,000 received from the provincial government in 2004 but not in 2005. Net of the Operating Contribution, SOCO's operating Revenues increased \$490,000 (4.7%) from 2004 to 2005.

Rental and Development Expenses

(\$000s)	2005	2004	Change	%
Six Months Ended June 30	\$6,125	\$5,359	\$766	14.2%

These expenses are incurred by SOCO to operate its revenue producing assets. Part of the increase from 2004 to 2005 relates to the Saskatchewan Forest Centre Building which came on stream early in 2005. Other increases relate to the general increase in utilities and other consumables.

Operating and Administration Expenses

(\$000s)	2005	2004	Change	%
Six Months Ended June 30	\$1,393	\$1,325	\$68	5.1%

This category includes all administrative expenses related to managing the company. The increase in costs is just slightly higher than the increase in operating revenues.

Net Income

(\$000s)	2005	2004	Change	%
Six Months Ended June 30	\$3,255	\$2,548	\$707	27.7%



2005 Outlook

The Government of Saskatchewan views the research parks as key instruments in its economic development strategy. SOCO has in place a development plan to increase the amount of space available for lease to tenants. Demand for space within the research parks is strong and outstrips current inventory. It is anticipated that construction of two new multi-tenant buildings, one in Saskatoon and one in Regina, will begin during 2005. However, building development is complex, incorporating many aspects including availability of consultants and contractors, cost of materials and availability of financing. Currently, in Saskatchewan, there is a great deal of new construction and development activity which is limiting the availability of contractors. Market prices of construction materials continue to be strong influenced by global demand. SOCO's operating budgets for 2005 do not include any provisions for revenue or operating expense from new development since it can take 18 months to two years until a new building is occupied and generating revenues. SOCO is monitoring market costs and may defer the start of construction projects if it is expected that costs will be lower in the near future.

Risk Assessment

As part of the annual strategic planning process SOCO surveys its environment, both internally and externally, to identify potential risks to its operations.

SOCO identifies the following potential, external risks:

1. The threat of external competition for tenants: Many jurisdictions have developed strategies to attract high technology companies and are aggressively pursuing qualified prospects. There have been instances where growing technology companies have moved from Saskatchewan to other locations to take advantage of what they perceived of as superior business environments. SOCO's strategy to retain tenants, and even attract tenants from elsewhere, is to constantly improve technical infrastructure and provide flexible pricing.
2. Availability of development capital: Cash flow from operations is not sufficient to fund all potential new development. SOCO must focus on obtaining outside development capital on terms that allow for continued profitable operation.



Management's Responsibility for Financial Statements

The accompanying unaudited interim financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this quarterly report is consistent with that in the financial statements.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The interim Board of Directors has reviewed and approved these unaudited interim financial statements. The entire interim Board acts as an audit and finance committee and meets periodically with management.

On behalf of management,



Douglas Tastad
President & Chief Executive Officer



Charlene Callander
Vice President, Planning & Financial Reporting



STATEMENT OF FINANCIAL POSITION - Unaudited
(In Thousands)

	June 30 2005	June 30 2004
ASSETS		
Cash	\$ 2,875	\$ 1,384
Accounts Receivable and Prepaid Expenses	3,505	3,430
Property, Plant and Equipment	3,392	2,755
	<u>\$ 9,772</u>	<u>\$ 7,569</u>
 LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 2,526	\$ 2,132
Due to GRF	-	4,673
Deferred Revenue	571	860
	<u>3,097</u>	<u>7,665</u>
Province of Saskatchewan's Equity (Deficit)		
Retained Earnings (Deficit)	6,675	(96)
	<u>\$ 9,772</u>	<u>\$ 7,569</u>



STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT) – Unaudited

(In Thousands)

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	Three Months Ended June 30 2005	Three Months Ended June 30 2004	Six Months Ended June 30 2005	Six Months Ended June 30 2004
REVENUE				
Rental and Development Income	\$ 5,414	\$ 5,045	\$ 10,893	\$ 10,403
Operating Contribution - General Revenue Fund	-	-	-	1,803
	5,414	5,045	10,893	12,206
EXPENSES				
Operating and Administration	778	714	1,393	1,325
Interest	-	-	-	1,829
Rental and Development	2,949	2,372	6,125	5,359
Amortization	63	36	120	1,145
	3,790	3,122	7,638	9,658
Net Income (Loss)	1,624	1,923	3,255	2,548
Retained Earnings (Deficit), Beginning of Period	5,051	(2,019)	3,420	(2,644)
Retained Earnings (Deficit), End of Period	\$ 6,675	\$ (96)	\$ 6,675	\$ (96)

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SASKATCHEWAN OPPORTUNITIES CORPORATION



STATEMENT OF CASH FLOWS - Unaudited

(In Thousands)

	Three Months Ended June 30 2005	Three Months Ended June 30 2004	Six Months Ended June 30 2005	Six Months Ended June 30 2004
OPERATING ACTIVITIES				
Net Income	\$ 1,624	1,923	\$ 3,255	\$ 2,548
Add non-cash item:				
Amortization	63	36	120	1,145
Change in non-cash operating items:				
Increase in Accounts Receivable and Prepaid Expenses	(187)	(403)	(144)	(203)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	334	(3,171)	216	(2,066)
Increase (Decrease) in Deferred Revenue	20	860	(42)	860
Non-cash Balances Transferred to GRF	-	1,644	-	1,644
Cash Provided by Operating Activities	1,854	889	3,405	3,928
INVESTING ACTIVITIES				
(Decrease) Increase in Accounts Payable for Capital	(425)	32	(1,719)	(756)
Investment in Property, Plant and Equipment	(773)	(1,703)	(1,882)	(5,210)
Cash Used in Investing Activities	(1,198)	(1,671)	(3,601)	(5,966)
FINANCING ACTIVITIES				
Net Change in Notes Payable	-	-	-	1,168
Non-repayable Contributions for Capital	-	-	-	-
Net Change in Long-Term Debt	-	-	-	(387)
Cash Provided by Financing Activities	-	-	-	781
Increase (Decrease) in Cash Position for the Period	656	(782)	(196)	(1,257)
Cash, Beginning of Period	2,219	2,166	3,071	2,641
Cash, End of Period	\$ 2,875	\$ 1,384	\$ 2,875	\$ 1,384

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SASKATCHEWAN OPPORTUNITIES CORPORATION



NOTES TO FINANCIAL STATEMENTS

June 30

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Saskatchewan Opportunities Corporation (the "Corporation") was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan (CIC).

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research and development parks.

1. Accounting Policies

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used and described in the 2004 annual financial statements.

2. Comparative Figures

Certain amounts for the comparative period have been reclassified to conform with current period financial statement presentation.

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SASKATCHEWAN OPPORTUNITIES CORPORATION



CORPORATE INFORMATION

Interim Board of Directors

Blair Swystun, Chair

Vice President & Chief Financial Officer
Crown Investments Corporation of Saskatchewan
Regina, Saskatchewan

Kathy Buitenhuis

Executive Director, Innovation and Research
Crown Investments Corporation of Saskatchewan
Regina, Saskatchewan

Glen Veikle

Associate Deputy Minister
Industry and Resources
Regina, Saskatchewan

Senior Management

Douglas Tastad, President and Chief Executive Officer

Ken Loepky, Vice President, Research Park Operations

Charlene Callander, Vice President, Planning & Financial Reporting

Brent Sukenik, Executive Director, Financial Reporting

Gord Joorisity, Executive Director, Project Management

Lorne Vinish, Executive Director, Finance and Business Services

Austin Beggs, Director, Marketing and Corporate Development

Rob Trimble, Director, Client Services

Gregg Willie, Manager, Bio Processing Center

Pennie Bainbridge, Executive Assistant to the President



CONTACT INFORMATION

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